

LEATHER INDUSTRIES

This sector was at a distinct cost disadvantage over the entire interval, particularly from 1982 onwards (pre-exchange-adjusted). The average annual rate of growth over the 1971 to 1984 interval for total costs was 8 per cent in Canada and 6.6 per cent in the U.S. In 1984, Canadian costs exceeded U.S. levels by almost 15 per cent.

Unit material costs accounted for about 60 to 65 per cent of total costs in both countries. Domestic expenditures in this area were above U.S. levels from 1973 onwards. While both countries experienced sharp increases in 1972 and 1979, the average annual growth rate over the entire period was 2.4 per cent higher in Canada. While Canadian costs increased moderately in 1982 (5.3 per cent), U.S. expenditures declined by 6 per cent that year, leaving Canadian costs close to 25 per cent above U.S. levels. U.S. costs continued to decline in 1983 and 1984, giving U.S. producers a 61 per cent advantage by the end of the period.

Unit labour costs were about 10 per cent above U.S. levels in the early 1980's. In 1984, however, Canadian costs declined by 10 per cent while similar U.S. costs increased by a rate of 42 per cent. This gave Canadian producers a 30 per cent cost advantage over their U.S. counterparts. Although relative Canadian labour productivity was low in the early part of the period, it had increased to over 90 per cent of U.S. values by 1984.

Canadian unit interest payments rose dramatically from 1979 to 1981, and were 245 per cent higher than similar U.S. payments in 1982. However, these costs only accounted for 3.5 per cent of total Canadian costs in that year.

After adjusting for the exchange rate, Canadian producers were cost-competitive from 1978 to the end of the period, with costs 13 per cent below those in the U.S. in 1984.